



HAWAI'I STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

ADMINISTRATIVE APPLICATION - CERTIFICATE OF NEED PROGRAM

Application Number: #12-28A To be assigned by Agency	Date of Re	eceipt:
g , g ,	T PROFILE	
Project Title: <u>Establishment of Chronic Renal Dialy</u>	sis Services_	
Project Address: Space adjacent to 95-1091 Ain	a Makua Drive	e, Mililani, HI 96789
(TMK No. (1) 9-5-049-085		
Applicant Facility/Organization:Liberty Dialysis-Ha	waii, LLC	
Name of CEO or equivalent: <u>Mark Caputo</u>		
Title: Manager		
Address: _7650 Southeast 27th Street, Suite 200, Me	ercer Island, W	/A 98040
Phone Number: (206) 816-6506 Fa	ax Number:	(206) 816-6556
Contact Person for this Application:Jane Gibbons Title:Regional Vice President	-	
Address:2226 Liliha Street, Suite 226, Honolulu, F	lawaii 96817_	
Phone Number: (808) 585-4600 Fe	ax Number: _	(808) 585-4601
CERTIFICATION I hereby attest that I reviewed the application an contained herein. I declare that the project described documentation included is true and correct to the best	d have knowl cribed and e	edge of the content and the information ach statement amount and supporting
Signature	Date	e
Jane Gibbons	<u></u> <u>R</u>	legional Vice President
Certificate of Need Standard Application		Page 1 of 11

July 2009 1514538.V2

1.	TYPE OR ORGANIZATION: (Please check all applicable)
	Public Private Non-profit For-profit Individual Corporation Partnership Limited Liability Corporation (LLC) Limited Liability Partnership (LLP) Other:	<u></u>
2.	PROJECT LOCATION INFOR	RMATION:
	A. Primary Service Area(s) of Pr	roject: (Please check all applicable)
	Statewide: O`ahu-wide: Honolulu: Windward O`a West O`ahu: Maui County: Kaua`i County	<u>x</u>
3.	DOCUMENTATION (Please at	ttach the following to your application form):
	A. Site Control documentation (e.g. lease/purchase agreement, DROA agreement, letter of intent)
	See Attachment 1	
	B. A listing of all other permits that will be required before the permit, etc.)	or approvals from other government bodies (federal, state, county) nis proposal can be implemented (such as building permit, land use
	C. Your governing body: list by	names, titles and address/phone numbers: See Attachment 2.
		on of Need Application this current calendar year, you may skip the thers, please provide the following:

Articles of Incorporation: See Attachment 3 (Articles of Formation)

Partnership Agreements: See Attachment 4 (Operating Agreement)

Tax Key Number (project's location): (1) 9-5-049-085

By-Laws: Not Applicable

4. **TYPE OF PROJECT.** This section helps our reviewers understand what type of project you are proposing. Please place an "x" in the appropriate box.

	Used Medical Equipment (over \$400,000)	New/Upgraded Medical Equip. (over \$1 million)	Other Capital Project (over \$4 million)	Change in ownership	Change in service/ establish new service/facility	Change in Beds
Inpatient Facility						
Outpatient Facility					х	
Private Practice						

5. BED CHANGES. Please complete this chart only if your project deals with a change in your bed count and/or licensed types. Again, this chart is intended to help our reviewers understand at a glance what your project would like to accomplish. Under the heading "Type of Bed," please use only the categories listed in the certificate of need rules.

Type of Bed	Current Bed Total	Proposed Beds for your Project	Total Combined Beds if your Project is Approved
	,		
		.9	
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6.	PROJECT COSTS AND SOURCES OF FUNDS (For Capital Items Only)		
	A. List	All Project Costs:	AMOUNT:
	1.	Land Acquisition	
	2.	Construction Contract	\$1,250,000
	3.	Fixed Equipment	\$200,000
	4.	Movable Equipment	\$425,000
	5.	Financing Costs	
	6.	Fair Market Value of assets acquired by lease, rent, donation, etc. (site lease)	\$1,486,451
	7.	Other:	
		TOTAL PROJECT COST:	<u>\$3,361,451</u>
	B. Sou i	rce of Funds	AMOUNT:
	1.	Cash	\$1,875,000
	2.	State Appropriations	
	3.	Other Grants	
	4.	Fund Drive	
36	5.	Debt	
	6.	Other: <u>Fair market value of lease payments</u> <u>To be paid over the term of the lease</u>	\$1,486,451
		TOTAL SOURCE OF FUNDS:	\$3,361,451



7. CHANGE OF SERVICE: If you are proposing a change in service, then please briefly list what services will be added/modified. Be sure to include the establishment of a new service or the addition of a new location of an existing service. Please reference the Certificate of Need Rules Section 11-186-5 for the categories of services. If you are unable to determine which category best describes your project, please consult with agency staff.

Establishment of chronic renal dialysis services. Reference HAR § 11-186-5(4)(A).

- 8. IMPLEMENTATION SCHEDULE: Please present a projected time schedule for the completion of this project from start to finish. Include all of the following items that are applicable to your project:
 - a) Date of site control for the proposed project: November 2012
 - b) Dates by which other government approvals/permits will be applied for and received: Building permit applied for: March 2013
 Building permit received for: June 2013
 - c) Dates by which financing is assured for the project: February 2013
 - d) Date construction will commence: August 2013
 - e) Length of construction period: 6 months
 - f) Date of completion of the project: February 2014
 - g) Date of commencement of operation: April 2014

Please remember that the Agency does monitor the implementation of Certificates approved. Non-implementation of a project as described in your application may result in a fine and/or withdrawal of the Certificate of Need.

- 9. EXECUTIVE SUMMARY: Please present a brief summary of your project. In addition, provide a description of how your project meets each of the Certificate of Need criteria listed below. If a new location is proposed, please attach an easy to read map that shows your project site.
 - a) Relationship to the State of Hawai'i Health Services and Facilities Plan
 - b) Need and Accessibility
 - c) Quality of Service/Care
 - d) Cost and Finances (include revenue/cost projections for the first and third year of operation)
 - e) Relationship to the Existing Health Care System
 - f) Availability of Resources



EXECUTIVE SUMMARY EIVED

Liberty Dialysis-Hawaii LLC ("Liberty Dialysis"), a subsidiary of Bio-Medical Applications Management, Inc., seeks approval to develop a new location for is dialysis services in a space adjacent to 95-1091 Ainamakua Divert Militario identified as TMK No. (1) 9-5-049-085 (the "Proposed Dialysis Center"). The new location will include 24 dialysis stations, including 1 isolation station to comply with CMS regulations.

Liberty Dialysis seeks to open this new dialysis facility to improve access to dialysis services for residents of Central Oahu and the North Shore.

a) Relationship to the State of Hawai'i Health Services and Facilities Plan.

The State of Hawaii Health Services and Facilities Plan ("HSFP") states that prior to the establishment of a new chronic renal dialysis services, the minimum annual utilization for each provider in the service area should be 600 treatments per unit, and the utilization of the new service should be projected to meet the minimum utilization rate by the third year of operation.

The primary service area ("PSA") will include Central Oahu and the North Shore communities of Mililani (zip 96789), Wahiawa (zip 96786), Haleiwa (96712), Waialua (96791), and Kahuku (96731). The PSA falls within the triangle marked on the map included in Attachment 5, which also illustrates the various alternative dialysis service providers currently available to residents of the PSA.

There is only one dialysis center now located within the PSA. DSI Renal, Inc. ("DSI"), operates a 24-station dialysis center in Wahiawa. During the first four months of 2012, it provided 8,395 dialysis treatments. Annualized, that equals approximately 20,148 treatments each year, or about 840 treatments per station per year, well in excess of the HSFP's 600 treatments per year threshold level.

As illustrated by the map of the PSA, the closest dialysis facility located outside the PSA is in Waipahu. Based on actual treatments performed during the first four months of 2012, Liberty Dialysis' 24-station Waipahu Dialysis Center is expected to perform 23,297 treatments this year, resulting in utilization at the rate of about 971 treatments per station per year. Island wide, only two dialysis centers are not performing at or above the HSFP threshold utilization level. Liberty Dialysis' clinic in Kailua currently performs 433 treatments per station per year, or at 72% of the threshold. DIS's Koolau dialysis center performs 533 treatments per station per year, or at about 89% of the HSFP threshold. However, these facilities are too far distant from

¹ In March 2008, SHPDA issued CON No. 07-33A, which was acquired by DSI when it purchased the dialysis clinics formerly owned by Fresenius Medical Care, for construction of a 24-bed dialysis facility at 94-862 Kahuailani Street in Waipahu. According to the application, this facility was scheduled to open in late August 2008. However, this proposed facility is not yet operational. The application described this clinic as an expansion of the Kapolei clinic, which was reported to be operating at 122% capacity at that time. In light of population growth in the densely populated Ewa-Kapolei-Pearl City area, it is doubtful how much capacity this facility could make available to residents of Central Oahu and the North Shore if it were to open today.



the PSA to be effectively accessible to its residents, who typically must receive dialysis treatments ranging from 3 to 5 hours in length at least 3 three times each week. Travel is also difficult for dialysis patients because many are unable to drive and must arrange other transportation for their treatments. Accordingly, lengthy travel between their homes and dialysis facilities solder is coursed a dialysis patients from complying with their treatment regimens.

Liberty Dialysis projects that the utilization of the third year of the center's operation, as illustrated in the table below:

Year of Operation	Total Number of Treatments	Treatments per Station
1	9,866	411
2	12,120	505
3	14,552	606

Accordingly, the HSFP's threshold utilization levels are satisfied by this project.

This project will advance the State Health Coordinating Council's ("SHCC") priority of ensuring maintenance of overall access to quality health care at a reasonable cost by providing improved access to dialysis services. There are few medical facilities of any type conveniently available to residents of Oahu's North Shore. Residents of communities from Mokuleia to Kahuku, and even farther east along Oahu's North Shore, have little choice other than travel to south Oahu or the Leeward communities of Kailua and Kaneohe for health care services. Kamehameha Highway, which connects North Shore communities to Kaneohe and Kailua, is a twisting, undivided, two-lane road on which travel is frequently slowed or stopped altogether by foul weather, heavy traffic or traffic accidents. Although road conditions from Kahuku to the area of Haleiwa and Waialua are similar, beyond Haleiwa and Waialua, road conditions become progressively better until travelers reach the H-2 freeway in Wahiawa. The improved safety of travel on roads into Mililani, as compared to Kamehameha Highway, would provide a separate intangible benefit to North Shore residents seeking dialysis services at the Proposed Dialysis Center.

This proposal will also advance the West Oahu Subarea Councils' ("SAC") priorities by improving education and increasing preventive health efforts for persons suffering from end stage renal disease through Liberty Dialysis' initiatives to education its patients about how to better manage their disease and thereby prevent or delay the onset of more serious health problems.

b) Need and Accessibility

There is currently only one dialysis center in the primary service area, which is operating well above the threshold level for commencement of new services. The service area can be expected to experience growing demand for dialysis services



The North Shore communities tend to have a higher percentage of older residents than more urban parts of Oaks. About 35% of Kahuku residents are age 45 or older. In Haleiwa and Waialua, the percentage of residents age 45 or older increases to 64.8% and 63.2%, respectively. The number of residents in the service area older than 45 is an important indicator of the number of dialysis services.

Data developed by the City & County of Honolulu Department of Planning & Permitting shows that the PSA is expected to experience significant growth in its senior population between now and 2025. Projected growth in the number of individuals aged 65 and over in each of the communities that comprise the PSA is summarized below:

Community	2010	2015	2020	2025
Kahuku	1587 (58.1%)	1625 (58.7%)	1663 (59.1%)	1720 (59.5%)
Wahiawa	13,654 (55.2%)	13,687 (56.3%)	13,671 (57.1%)	13,949 (58.0%)
Mililani	24,652 (56.4%)	27,686 (57.1%)	31,642 (57.4%)	35,340 (57.9%)
Haleiwa	3368 (64.8%)	3632 (65.3%)	3859 (64.2%)	4052 (65.9%)
Waialua	4656 (63.2%)	4666 (63.7%)	4674 (64.2%)	4672 (64.6%)
Waialua	4656 (63.2%)	4666 (63.7%)	4674 (64.2%)	4672 (64.6%

Accordingly, the PSA's senior population, and hence its need for dialysis services can be expected to increase over the next several years.

Moreover, the increased incidence of Diabetes Mellitus (DM) among both seniors and the younger population suggests that the incidence of ESRD likely to increase, because ESRD is a common complication of poorly controlled DM. In fact, DM is the most common cause of ESRD. The CDC has reported that from 1999 to 2009, the total number of adults in Hawaii diagnosed with DM nearly doubled from 48,000 to 80,000. Six thousand new cases of DM were reported in Hawaii every year from 2006 to 2009. The increased number of cases of DM is reflected in Hawaii's utilization of dialysis services. In 2005, Hawaii had the third highest incidence of ESRD in the nation, with over 2800 individuals receiving dialysis.

As shown by the table below, which shows the utilization of the closest dialysis facilities outside the PSA, there is little excess capacity in nearby communities. Moreover there is little excess capacity anywhere on Oahu. Island wide, only two dialysis centers are not performing at or above the HSFP threshold utilization level. Liberty Dialysis' clinic in Kailua currently performs 433 treatments per station per year, or at 72% of the threshold. DSI's Koolau dialysis center performs 533 treatments per station per year, or at about 89% of the HSFP threshold. However, these facilities are too far distant from the PSA to be effectively accessible to its residents because dialysis

patients typically must receive dialysis treatments ranging from 3 to 5 hours in length at least 3 three times each week. Travel is also discult for dialysis patients because many are unable to drive and must arrange other transportation for their treatments. Accordingly, lengthy travel between their homes and dialysis facilities sometimes discourage dialysis patients from complying with their 26 after 50 regimens.

Facility	Total Number of Treatments per Year	Treatments per Station ST HETH PERG & DEV. AGENCY	Percentage of Threshold
Liberty Waipahu	23927	971	162
Liberty Leeward	22231	926	154
DSI Pearlridge	52776	1099	183

While the Proposed Dialysis Center is intended primarily to meet the needs of individuals residing within the PSA, Liberty Dialysis will make its services available to all Oahu residents, including low-income individuals, racial and ethnic minorities, women, individuals with disabilities, other underserved groups, and the elderly. As always, Liberty Dialysis will maintain its commitment to provide charity care to those otherwise unable to afford dialysis treatment.

c) Quality of Service/Care

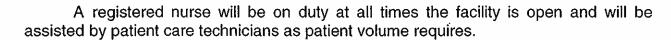
Liberty Dialysis provides the highest quality of dialysis services to its patients and is in full compliance with all federal and state regulations at all of its dialysis centers in Hawaii. It will continue to provide the same high quality care to patients at the proposed new location.

All Liberty Dialysis centers are CMS certified, and observes the standards set by both the CDC and CMS in its centers' operations. Liberty Dialysis' quality improvement program was developed in accordance with CMS and the National Kidney Foundation's Disease Outcomes Quality Initiative ("KDOQI") guidelines. In keeping with the Liberty Dialysis Quality Improvement Program, each facility monitors the quality of care in the following areas: anemia management, bone management, adequacy of dialysis, patient satisfaction, and technical management.

LIBERTY DIALYSIS maintains the following ratio of clinical staff to patients at all of its facilities:

Charge Nurse (RN)	1.0 FTE per 12 patients
Patient Care Technicians	1.0 FTE per 4 patients
Registered Dietician	1.0 FTE per 120 patients
Social Worker	1.0 FTE per 140 patients

REPLACEMENT PAGE



Upon opening, the Proposed Dialysis Center will employ 1 FTE Nurse Manager, 2.0 FTE RNs, 5.0 FTE hemodialysis technicians, a 0.25 FTE social worker, a 0.25 FTE dietitian, and 1.0 FTE bio-medical technical staff. Additional staff will be employed and trained to maintain Liberty Dialysis' staffing ratios as patient census increases.

All Liberty Dialysis nurses are licensed in Hawaii and all patient care technicians are nationally certified as required by CMS. All nurses and hemodialysis technicians must complete the Liberty Dialysis training program prior to assignment to patient care duties. All Liberty Dialysis patient care staff will participate in regular in-service training in order to assure maintenance of the highest level of competency.

d) Cost and Finances (include revenue/cost projections for the first and third year of operation)

The total cost of the project is estimated at approximately \$3,361,451.00 which includes \$1,250,000.00 for construction costs, \$200,000.00 for fixed equipment, \$425,000.00 for movable equipment, and \$1,486,451.00 for the site lease. The project will be financed with cash or a committed working capital line.

First and third year revenue and cost projections are summarized in the table below:

	Projected 1st	Projected 3rd
	Full Year	Full Year
	Operations	Operations
Total Operating Revenue	\$1,500,000	\$2,150,000
Operating Expenses		
Salaries, Wages, Benefits	\$635,000	\$815,000
Other Expenses	\$645,000	\$760,000
Depreciation	\$210,000	\$205,000
Total Expenses	\$1,490,000	\$1,780,000
Net Income (Loss) from Operations	\$10,000	\$370,000
Add Back: Depreciation	\$210,000	\$205,000
Excess (Deficit) Fund from Operations	\$220,000	\$575,000

e) Relationship to the existing health care system

The PSA is currently served by a single dialysis facility, which is operating at 140% of the HSFP threshold capacity. Accordingly, the Proposed Dialysis Center is expected to have a positive impact on Oahu's health care system by providing additional capacity in an area which currently has few health care providers.

f) Availability of Resources.

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There are no financial obstacles to this project. The Proposed Project will be paid for with cash reserves or a committed working capital line, which Liberty has dedicated for the project.

Liberty Dialysis expects to assign staffing for the proposed facility from its current pool of employees in addition to seeking new employees through local and national advertisements. Liberty Dialysis engages in extensive local recruitment and conducts in-house nurse and technician training programs to insure that its personnel are qualified to provide high quality care to its dialysis patients. Liberty Dialysis has partnered with local educators to provide clinical training opportunities for new nurses and technicians. Liberty Dialysis has also expanded its in-house training efforts and has increased recruitment of local dialysis nurses who have left the field and mainland nurses and technicians in order to maintain a consistent supply of qualified personnel to provide patient care in its dialysis facilities.

10.		y to file for Administrative Review. This project is eligible to file for rative review because: (Check all applicable)
		It involves bed changes, which will have a capital expense of \$1,000,000 or less, and which will have an increased annual operating expense of less than \$500,000.
		It involves service changes which will have a capital expense of \$1,000,000 or less, and which will have an increased annual operating expense of less than \$500,000.
		It is an acquisition of a health care facility or service, which will result in lower annual operating expenses for that facility, or service.
		It is a change of ownership, where the change is from one entity to another substantially related entity.
	<u>X</u>	It is an additional location of an existing service or facility.
		The applicant believes it will not have a significant impact on the health care system.